

W-02181A-15-0216

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Arizona Corporation Commissi

Utilities Complaint Form

Investigator: Carmen Madrid

Phone: <<< REDACTED >>>

Completion Date:

Priority: Please respond within 5 business days

Opinion Number: 2015 - 125491

Opinion Codes:

Opinion Date: 9/18/2015 9:12 AM

Rate Case Items - Opposed

First Name: Steve

Last Name: Rossi

Account Name: Steve Rossi

Street Address:

City:

State:

Zip Code:

<<< REDACTED >>>

Company: Pine Valley Water Company

Division: Water

Lance Wischmeier

<<< REDACTED >>>

<<< REDACTED >>>

Nature Of Opinion:

Docket Number: W-02181A-15-0216

Docket Position: Against

Steve Rossi

20 Spotted Fawn Ct.

Sedona AZ 86351

September 17, 2015

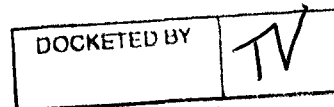
Mr. Brendan Aladi

Arizona Corporation Commission

1200 West Washington Street

Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED
SEP 18 2015



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AZ CORP COMMISSION
DOCKET CONTROL
2015 SEP 18 PM 9 43

Re: Docket# W-02181A-15-0216- Pine Valley Water Company Rate Increase Request (filed June 26, 2015, amended August 13, 2015 and deemed complete September 8, 2015)

AVR 2015

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Dear Mr. Aladi:

Most customers familiar with Pine Valley Water Company's situation (in particular the financial and legal challenges involved in meeting arsenic treatment requirements) understood that PVWC would seek a rate increase once the system was in compliance with the arsenic standard. ACC has witnessed an exceptionally strong negative response to the rate request from customers. This negativity appears to be based on both the proposed structure and on how the proposal was rolled out.

With regard to the rollout, notifications were not received based on a 6/26/15 mailing as attested to in the application (or on 5/26/15 as stated in the 8/13/15 application amendment), but rather almost two weeks later with the July water bills. There was no initial posting on the board at the entrance to the subdivision as attested to (until a customer did so on July 19). If the application has initially been deemed complete, it is possible that this increase could have taken effect without most customers having an opportunity to comment. With regard to the last rate increase, ACC's docket shows that it took effect on June 1, 2001 (not in 2000 as shown in the application or 1999 as shown in PVWC's rebuttal to customer comments on the back of the August water bill). While these inconsistencies may seem minor in context they undermine customer trust in the accuracy and validity of the more substantive aspects of the PVWC application.

The application asserts that substantial monthly base rate increases are necessary to better equalize revenue flow throughout the year. It is important to ensure that ACC only consider valid fixed costs allocated equitably among customers in the base rates. Seasonal water use (and thus revenue) fluctuations should be anticipated via effective cash flow management throughout the year. Variable costs (including arsenic media replacement) should be reflected in the commodity charges. It should also be noted that PVWC has added approximately 40 service connections (a 31% increase) since its

2001 rate increase. This allows fixed costs to be spread among a larger number of customers, and could potentially substantiate a decrease from current base rates. It needs to be clearly demonstrated that fixed costs have increased to the degree that base rate increases are fully warranted and justified at this time.

With regard to commodity charges, PVWC's proposed reduction in per-unit charges does not equitably compensate for the higher base rates and in fact presents a disincentive to conserve (a questionable strategy given that the system is dependent on a single source). Commodity charges for the highest water use category decrease significantly under the proposal, transferring a much greater burden to the lowest water using customers in the system. For example, in 2014, billings of less than 5,000 gallons per month represented 19% of water use and contributed 31% to revenues. Under the PVWC proposal, this same "low water use" group will contribute 42% to revenues, and larger water users would see their payment responsibility decrease accordingly.

With regard to 1" meter base charges, PVWC is aware that most of the properties equipped now with these meters were required to install them to comply with fire sprinkler requirements. The current 1" base rate is already 33% higher than the 5/8" rate, and this reflected conditions as they were before the fire code took effect (i.e. customers prior to 2006 could choose a 1" meter if they needed the flow for substantial landscaping, etc.). PVWC's proposal for a 1" rate that is 200% higher than the 5/8" rate (effectively triple) for those required to comply with fire sprinkler requirements is capricious and confiscatory. If there is no quantifiable difference in the fixed costs of serving a 1" meter versus a 5/8" meter, then the base rate for customers with 1" meters who were mandated to comply with fire sprinkler requirements should be no different than base rates established for customers with 5/8" meters. Though it appears that other local

W-02181A-15-0216

Arizona Corporation Commission

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private utilities charge more for larger meters, it must be recognized that these structures reflect pre-fire code conditions. This inherent inequity whereby low water using customers are charged higher base rate due to compliance with fire code requirements is discriminatory and should not be continued in this case.

It is understood that the PVWC application was determined to be complete on September 8, and that ACC staff review of the details has commenced. Given the magnitude of the adverse responses to the PVWC application (and the inherent inequities which would result from ACCs approval of this proposed structure), it is essential that customers be kept informed of the progress of this case. This includes ACC staff's recommendation upon completion of the review as well as notification of the date for the formal ACC hearing on this matter. Customers are watching this case very closely in the hope that ACC staff's review will lead to a "win-win" solution that can be supported by a majority of the customers and thus eliminate the inequities referenced both in this letter and in feedback ACC has received from other customers.

Steve Rossi

PVWC Customer

Retired, City of Phoenix Water Services Department

Notes:

Date:	User:	Submitted By:	Note Type:
9/18/2015	Carmen Madrid	Telephone	Investigation
opinion noted and filed in Docket No. W-02181A-15-0216. closed			
